

State Notes

TOPICS OF LEGISLATIVE INTEREST

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Update on Michigan Department of Corrections Spending Pressures By Lindsay Hollander, Fiscal Analyst

The Michigan Legislature is currently considering the Governor's budget recommendation for fiscal year (FY) 2008-09. Changes in the appropriation for the Michigan Department of Corrections (MDOC) are dependent on various spending pressures, such as the prison and camp population, staffing costs, and health care costs. This analysis includes year-to-date (YTD) appropriation and population information from FY 2001-02 to FY 2006-07. Additionally, the article discusses employee-related economic increases up to the current fiscal year, FY 2007-08.

Appropriation and Prisoner Population

During the course of the analysis period, the Michigan Department of Corrections' YTD General Fund/General Purpose (GF/GP) appropriation grew every year. As displayed in [Table 1](#), this is in contrast to the prison population, but somewhat consistent with other expenditures. The Gross appropriation decreased in FY 2002-03 from its FY 2001-02 amount, but then grew at an increasing rate until FY 2006-07. It did not grow as rapidly as the GF/GP appropriation grew, which may be because the MDOC appropriation has become increasingly reliant on GF/GP revenue as a funding source. In FY 2001-02, GF/GP funding was 94.8% of the Gross appropriation, and that proportion grew almost every year since, with GF/GP funds accounting for 95.8% of the Gross appropriation in FY 2006-07.

Table 1
Five-Year Appropriation, Population,
and Full-Time Equated (FTE) Position History

Fiscal Year	Change in Prison & Camp Population	Change in Avg. Cost/ Prisoner	Change in FTE Positions	Change in Gross Approp.	Change in GF/GP Approp.	Change in Prisoner Health Care Approp. ¹⁾	Health Care as a % of Gross Approp. ¹⁾
2002-03	(1.0)%	(2.4)%	(2.90)%	(0.06)%	0.02%	4.97%	9.27%
2003-04	(1.7)	3.8	(2.82)	1.11	0.59	3.65	9.50
2004-05	1.6	4.0	(2.97)	3.70	4.95	4.95	9.61
2005-06	4.0	6.7	(1.38)	6.59	6.94	12.85	10.18
2006-07	(2.0)	1.0	1.56	3.61	3.64	18.87	11.68

¹⁾ Includes Health Care Administration, Hospital & Specialty Care Services, Vaccination Program, Hepatitis C Testing & Treatment, and all Clinical Complexes. Does not include Consent Decrees.

Source: Michigan Department of Corrections; Annual Appropriation Acts

The prison and camp population fluctuated between FY 2001-02 and FY 2006-07. [Table 2](#) lists the number and percentage of prisoners by security level for that period. The table shows that the number of Level I (lowest security level) prisoners generally rose, while Level IV and V prisoners decreased. The cost of care for a prisoner in a higher security level is higher on average than for a lower security level prisoner. Despite this, the approximate average cost per prisoner rose almost every year. Changes in average cost per prisoner positively correlate with changes in GF/GP appropriations, due to the fact that typically 84.0% to 87.0% of the GF/GP appropriation is spent on prisoner costs. The only other measure with a higher average annual



percentage change than GF/GP and the annual cost per prisoner is the health care appropriation.

The health care appropriation rose every year, with an additional \$58.1 million allocated during the past two years. In order to fund care for the population, the health care appropriation supports hundreds of nurses, physicians, and mid-level positions, as well as treatment and specialty care costs. Currently, a third of the prison population is in chronic care clinics, meaning those prisoners have a chronic condition that necessitates seeing a doctor at least twice per year. It makes sense that the health care appropriation has grown along with the average cost per prisoner, because after prison and camp staffing and operations, health care is the largest portion of the average cost per prisoner. Health care, which is supported almost exclusively by GF/GP dollars, is one component of the increasing appropriations for the MDOC.

Table 2

Michigan Prison Population History by Security Level						
Fiscal Year	Total Population	Level I	Level II	Level IV	Level V	Other¹⁾
2001-02	49,478	17,390	18,956	5,445	1,964	5,723
2002-03	49,002	17,139	19,344	5,143	1,930	5,446
2003-04	48,185	17,595	18,613	5,370	1,764	4,843
2004-05	48,970	18,560	18,616	4,722	1,757	5,315
2005-06	50,946	20,320	18,617	4,582	1,436	5,991
2006-07	49,928	20,451	18,260	4,475	1,422	5,362
		% Total	% Total	% Total	% Total	% Total
2001-02	49,478	35.15%	38.31%	11.00%	3.97%	11.57%
2002-03	49,002	34.98	39.48	10.50	3.94	11.11
2003-04	48,185	36.52	38.63	11.14	3.66	10.05
2004-05	48,970	37.90	38.02	9.64	3.59	10.85
2005-06	50,946	39.89	36.54	8.99	2.82	11.76
2006-07	49,928	40.39	36.54	8.96	2.85	10.73

¹⁾ Other includes segregation, Level V reception, youthful offenders, various mental health units, etc.

Source: Michigan Department of Corrections Client Census Reports

Employee Costs

Employee costs also have a major impact on the MDOC appropriation. Approximately 70.0% of the Department's budget is spent on staffing costs. Interestingly, the number of full-time equated positions (FTEs) has gone down every year during the period. Measures such as the human resources optimization, which have cut costs and FTEs for individual departments, could be one explanation for this decrease. If FTEs are cut more than costs are reduced, then the number of FTEs will not grow with the appropriation. Another reason for this reduction may be that employee costs are rising. For FY 2002-03 through FY 2007-08, [Table 3](#) shows appropriated economic increases as enacted, but excludes any unfunded economic increases. After peaking in FY 2004-05, funded employee-related economic increases actually decreased both in total



amount, and as a percentage of the total appropriation, in the following two years. In FY 2007-08, these economic increases have risen dramatically, but this is primarily due to an executive order one-time reduction in the retirement contribution in FY 2006-07 that had to be restored in the FY 2007-08 appropriation. Otherwise, the funded employee-related economic increases in FY 2007-08 would have been lower as a percentage of the enacted appropriation than in FY 2006-07.

The MDOC budget was reduced in other areas since FY 2004-05 in order to fund economic increases displayed in Table 3. For example, in FY 2003-04, the MDOC abolished 80 FTE management positions in order to fund the previous year's retirement shortfall. In FY 2002-03 and 2003-04, appropriations for economic increases were either entirely or partially unfunded. In FY 2007-08, Southern Michigan Correctional Facility and Camp Manistique closed in order to fund increases. Regardless of what is funded in the appropriation, the MDOC is responsible for paying any contractual increases in employee salaries and benefits. If they are not funded, the MDOC must make reductions elsewhere, which results in actual employee costs' taking up an even greater proportion of the full appropriation. Table 4 shows how employee-related expenditures as a percentage of the appropriation increased significantly beginning in FY 2004-05, when the staffing cost increase was more than double the total appropriation increase. This proportion did drop in FY 2006-07, partially a result of the retirement rate reduction. Without that reduction, the 1.7% drop would have been a 0.9% decrease.

Table 3
History of Funded Employee-Related Economic Increases

Fiscal Year	Salary	Insurance	Retirement	Other	Total Employee Economics	% of Enacted Gross Appropriation	Total Appropriation Increase
2002-03	\$17,876,300	\$ 0	\$2,331,800	\$(7,217,100) ^{a)}	\$12,991,000	0.76%	\$17,854,300
2003-04 ^{b)}		0	0	28,595,600 ^{c)}	28,595,600	1.66	37,450,369
2004-05	61,617,600	21,209,900	68,827,200	(46,342,500) ^{d)}	105,312,200	5.90	80,352,719
2005-06	10,590,700	22,831,700	18,362,900	46,342,500 ^{d)}	98,127,800	5.28	91,198,600
2006-07	36,328,100	13,633,100	32,057,900	0	82,019,100	4.23	70,315,100
2007-08	42,283,700	16,714,900	24,356,500	64,865,600 ^{e)}	148,220,700	7.13	124,646,100

^{a)} This eliminated a lump sum salary payment that had been part of the contract during FY 2000-01 and FY 2001-02.
^{b)} Salary, insurance, and retirement increases were unfunded this year, but totaled \$81.2 million.
^{c)} Restored FY 2002-03 shortfall in retirement.
^{d)} This reduction and subsequent increase of the same amount mark the start and end of employee concessions such as furlough days and banked leave time.
^{e)} Executive Order 2007-3 reduced the rate departments had to pay into the retirement fund, resulting in a \$64,865,600 reduction in FY 2006-07. In FY 2007-08, this funding was restored. If this is not included, economic increases as a percentage of the enacted Gross appropriation would be 4.01% and would total \$83,355,100.

Source: Office of State Budget



Table 4

Employee-Related Expenditures			
Fiscal Year	Employee-Related Expenditures	YTD Appropriation	Percent of YTD Appropriation
2002-03	\$1,172,840,833	\$1,687,056,800	69.5%
2003-04	1,172,211,289	1,705,829,900	68.7
2004-05	1,302,251,756	1,768,907,800	73.6
2005-06	1,384,836,314	1,885,554,200	73.4
2006-07	1,399,894,911	1,953,623,000	71.7

Source: Michigan Administrative Information Network

Another component of employee costs is realized in the form of overtime. In general, staff working more than eight hours per day, or more than 80 hours biweekly, must be paid one and a half times their salary for those additional hours. Table 5 shows that the amount the MDOC paid in regular overtime for correctional facility staff rose between FY 2002-03 and FY 2006-07. Not only did the amount spent increase during every year shown in Table 5, but it took up an increasing proportion of the Gross appropriation. For the current fiscal year, the MDOC is trying to alleviate this issue by hiring more correctional officers. Once new officers are trained, the MDOC will save money by paying a new officer full-time salary with benefits, rather than paying 80 hours biweekly of overtime to existing employees. The cost of benefits is usually lower than 50.0% of employee salaries.

Table 5

Funds Spent on Regular Overtime Pay (not Holiday)					
	2002-03	2003-04	2004-05	2005-06	2006-07
Regular Overtime	\$31,512,145	\$36,241,923	\$52,456,794	\$58,618,526	\$71,018,988
Percent Change	N/A	15.01%	44.74%	11.75%	21.15%
% of YTD Gross					
Appropriation	1.87%	2.12%	2.97%	3.13%	3.64%

Source: Michigan Administrative Information Network

Facilities

One way the MDOC cuts costs is to close facilities. This is especially effective if a facility is inefficient or underused. Throughout the past few years, the State often has closed housing units within facilities, but in FY 2001-02, FY 2004-05, and FY 2007-08, several entire facilities were closed. Table 6 shows that among them, six prisons and five camps were closed, with inmates moving to open beds elsewhere in the MDOC system or to parole. The net loss for prisons is actually four because the MDOC opened Bellamy Creek Correctional Facility in 2001 and reopened Michigan Reformatory in 2007. In FY 2006-07, the MDOC closed Camp Brighton, and opened a new women's camp, Camp Valley, at the Huron Valley Technical Rule Violator (TRV) Center, as well as a second women's camp, Camp White Lake, at the site of the former Gilman Technical Rule Violator Center. A new community re-entry center opened at Camp Tuscola in November 2006, and in 2008, Grand Rapids Corrections Center beds will be replaced by an expansion of the Lake County Center.



Table 6

Facility Closures				
FY 2001-02	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Camp Waterloo	Western Wayne Correctional Facility	Michigan Youth Correctional Facility	Camp Brighton	Southern Michigan Correctional Facility
Adrian Corrections Center	Kalamazoo Corrections Center			Camp Manistique
Muskegon Corrections Center	Benton Harbor Corrections Center			Riverside Correctional Facility
Jackson Maximum Facility ¹⁾	Gilman Technical Rule Violator Center			Grand Rapids Corrections Center
Michigan Reformatory ¹⁾	Camp Sauble ¹⁾			
Camp Pellston ¹⁾	Camp Tuscola ¹⁾			
Pontiac Corrections Center ¹⁾	Saginaw Corrections Center ¹⁾			
¹⁾ Closed via Executive Order				

Source: Annual Appropriation Acts; Executive Orders

Conclusion

When the history of the MDOC appropriation is reviewed, it is apparent that the cost of staffing the Department has risen. Whether funded or not, many of these costs have crowded out various programs and positions. While operational efficiencies have been identified, programs such as the technical rule violator pilot drug treatment program, and education in Level V facilities, have been eliminated or reduced, hundreds of positions have been abolished, and several facilities have closed. In a department that is based on supervising and providing care for prisoners, parolees, and probationers, a certain staffing level per offender is required for public safety. Major reductions in staffing costs are possible only if enough staff are retained to reduce overtime costs, the number of offenders supervised by the MDOC is reduced so fewer FTEs will be required, and contracts are renegotiated in order to cut staffing costs.